

Message Text

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ACTION EA-10

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SUBJECT: BOUGAINVILLE ROYALTIES DISPUTE RESOLVED

REF: PORT MORESBY A-36

PORT MORESBY 414

PORT MORESBY 420

1. AT MEETING DECEMBER 18 CHARACTERIZED BY BOTH
BOUGAINVILLE PROVINCIAL GOVERNMENT AND PNG MINISTERS
AS QTE AN EXCELLENT NEGOTIATING MEETING UNQTE, THE
PARTIES REACHED AN AGREEMENT, ACCORDING TO LOCAL PRESS,
WHICH PROVIDES THAT THE PROVINCIAL GOVERNMENT WILL BE
PAID ALL ROYALTIES (APPROXIMATELY AUSTRALIAN DOLS 3.3 MILLION
THIS YEAR) FROM BOUGAINVILLE COPPER LTD. COMMENCING JUNE 30,
1975. AS TRADE OFF, A HIDDEN ROYALTY PAYMENT IN THE FORM
OF A SPECIAL PUBLIC WORKS GRANT OF AUSTRALIAN DOLS 2.3
MILLION IN THE CURRENT PROVINCIAL GOVERNMENT BUDGET WILL
CEASE ON JUNE 30, 1975. IN ADDITION THE NORMAL PUBLIC
WORKS PROGRAM BUDGET OF AUSTRALIAN DOLS 1 MILLION MAY BE
REDUCED OR DISCONTINUED. THE NEW SUMS WHICH THE PROVINCIAL
GOVERNMENT WILL RECEIVE THUS NEATLY EQUAL APPROXIMATELY
THOSE WHICH WILL BE DISCONTINUED. (SEE ENCLOSURE 2 OF
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PORT MORESBY A-36 FOR CURRENT PROVINCIAL GOVERNMENT

BUDGET FIGURES).

2. PNG GOVERNMENT RESERVED DECISIONS RE PROVINCIAL GOVERNMENT REQUEST THAT LAW BE ENACTED TO PROVIDE THAT SIMILAR ARRANGEMENTS APPLY TO ALL LARGE MINING DEVELOPMENTS IN THE COUNTRY. DEMANDS OF ADDITIONAL PERSONNEL APPOINTMENTS TO PROVINCIAL GOVERNMENT, THE UPGRADING OF PANGUNA MINE TECHNICAL TRAINING COLLEGE TO CENTRAL COLLEGE OF MINING TECHNOLOGY FOR PNG, AND THE ESTABLISHMENT IN BOUGAINVILLE OF A UNIVERSITY OF RURAL TECHNOLOGY REMAIN UNRESOLVED.

3. GOVERNMENT BELIEVED TO HAVE ALSO GIVEN ASSURANCES THAT AUSTRALIAN DOLS 400,000 WOULD BE PROVIDED THIS YEAR TO MEET PROVINCIAL GOVERNMENT CAPITAL WORKS DEFICIT ESTIMATED AT ALMOST AUSTRALIAN DOLS 1 MILLION, THEREBY ESSENTIALLY SPLITTING COST OF PROGRAM OVERRUN WHICH PROVINCIAL REGIME ALLEGED WAS CENTRAL GOVERNMENTS RESPONSIBILITY.

4. FINANCE MINISTER CHAN SAID THAT RESULT OF THE TALKS WAS QTE NEITHER VICTORY NOR DEFEAT UNQTE FOR EITHER PARTY AND GAVE ASSURANCES THAT YESTERDAY S MEETING WAS BUT THE FIRST OF A SERIES OF MUTUAL DISCUSSIONS. UNDERLYING THE GOODWILL AND FLEXIBILITY OF THE SOMARE GOVERNMENT HE OBSERVED THAT FEW GOVERNMENTS IN THE WORLD WOULD COME TO THE PEOPLE AS THE PNG MINISTERS HAD.

5. PROVINCIAL GOVERNMENT REP STATED NEXT DAY QTE THERE IS NO AREA OF DISAGREEMENT. I THINK THE BOUGAINVILLE PROVINCIAL GOVERNMENT MUST NOW COUNT ITS BLESSINGS RATHER THAN ITS GRIEVANCES UNQTE. HE ASSERTED THAT THE TALKS AND SUBSEQUENT AGREEMENT HAD QTE BRIDGED THE CREDIBILITY GAP UNQTE WITH THE NATIONAL GOVERNMENT. TEXT OF AGREEMENT FOLLOWS BY AIRGRAM.

6. COMMENT: THE NEGOTIATIONS HAVE UNDOUBTEDLY INCREASED SIGNIFICANTLY THE STATUS OF THE PROVINCIAL GOVERNMENT AS AN ENTITY AND POWERFUL PARTICIPANT IN THE POLITICAL SCENE HERE. FURTHER, WHILE THE AMOUNTS TO BE RECEIVED FROM ROYALTIES WILL BE ROUGHLY EQUIVALENT TO THOSE LOST UNCLASSIFIED

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FROM SPECIAL GOVERNMENT GRANTS, THE ROYALTY MONIES WILL NOT BE TIED, THEREBY GIVING THE PROVINCIAL GOVERNMENT CONSIDERABLE AUTONOMY IN ITS FISCAL AFFAIRS. THERE WILL BE A TENDENCY TO VIEW THE AGREEMENT AS A SWEEPING VICTORY FOR REGIONAL FORCES HERE, BUT IT SHOULD BE NOTED THAT BOUGAINVILLE'S AUTONOMY IS STILL ENORMOUSLY LESS THAN THAT ENVISIONED BY THE PROVISIONS OF CHAPTER TEN OF THE CPC REPORT CONCERNING PROVINCIAL GOVERNMENT, AND

IS FAR REMOVED FROM A FEDERAL SYSTEM. THE PNG GOVERNMENT HAS HANDLED THE CURRENT SITUATION WITH SENSITIVITY AND COMMON SENSE. AS NOTED PREVIOUSLY IT WAS MANIFESTLY IN THE INTEREST OF BOTH PARTIES TO COMPROMISE AND THIS THEY APPEAR TO HAVE DONE. ADDITIONAL ISSUES WILL UNDOUBTEDLY BE FORTHCOMING BUT THE ROYALTIES QUESTION HAS BEEN DIFFUSED AND FEW OTHERS CAN GENERATE SUCH HEAT. IT IS ANTICIPATED THAT ROYALTY PAYMENTS FROM THE MINE WILL DECLINE NEXT YEAR AND ONE MAY EXPECT THAT THE PROVINCIAL GOVERNMENT WILL THEN SEEK COMPENSATION EITHER FROM THE CENTRAL GOVERNMENT OR THE MINE ITSELF. OLMSTED

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